



January 11, 2006

TO: Transportation Authority of Marin Commissioners

FROM: Dianne Steinhauser, Executive Director

RE: TAM Benefit Options and Human Resources Choices – Agenda Item 4

Dear Commissioners:

Executive Summary

At the TAM Board meeting of December 15th, approval was received for TAM staff to proceed on the hiring of two critical permanent positions within the TAM permanent staffing structure: the Finance Manager, and the Clerk to the Board/Executive Assistant. While staff will begin the hiring process, no offer will be made until a suite of benefits is adopted by the Board as well. To that end, staff is presenting below, for the Board's consideration, options to consider regarding benefits, insurance, and human resource management. **Recommendation: that the Board give consideration to the most cost-effective strategy of using Local Government Services/Regional Government Services, a Joint Powers Authority, to hire the remaining TAM staff, provide necessary agency insurance, and provide human resource services. The Board directs staff to negotiate a contract/ contract amendment with LGS with approval by the Board at a future meeting.**

Over the past 6 months, TAM staff have explored a variety of employee benefit and human resource administration options. In being able to proceed on hiring staff, TAM will need to have in place the following mandatory elements:

- all mandatory insurance requirements including Worker's Compensation Insurance, Errors and Omissions insurance, Commercial General Liability Insurance
- health and retirement benefits
- required personnel policies and procedures,

In order to bring additional TAM staff onboard, , staff have pursued self administering these benefits and services, particularly pursuing payroll services through the County of Marin, health benefits and employee retirement plan through CALPERS, and mandatory insurance through Driver's Alliant (CPEIA) covering workers' compensation and general

commercial and professional liability for the agency. As an option to self-administering these benefits and services, staff has more thoroughly explored using Local Government Services/ Regional Government Services, "LGS", a Joint Powers Authority here in the Bay Area, as the hiring and administrative agent for TAM. LGS currently employs the TAM Executive Director in behalf of the TAM Board. Staff have done a thorough comparison of the cost differences between the two options. Staff will share the results of this detailed analysis at the meeting.

It is important to note that under the Self-Administer option, cost to acquire and offer some of these employee benefits varies with the level of benefit and availability. Due to the small size of the agency, it is difficult to find cost effective solutions to providing certain benefits to employees, such as vision, dental, long term/short term disability, and employee assistance programs. Typically, employee benefit providers have a minimum "number of employees" requirement prior to contracting with an agency. Smaller agencies have worked through this issue in creative ways such as providing an annual lump sum payment, or a benefit stipend to employees estimated at benefits cost, or forming joint power agreements with other entities to create a larger employee pool. LGS has created a larger pool and so can offer certain services and benefits at a reduced rate to what TAM could offer.

After an analysis comparing the two options, staff have concluded that it is more cost-effective to use LGS as the hiring entity for TAM, providing direct benefits, insurance, payroll services, and personnel policy support and management. LGS estimated monthly cost for these direct services and benefits is reflected in their fee to TAM, which equates to \$81,900 annually for 6 employees total. TAM's estimated Self- Administer cost to provide the same suite of benefits is estimated at \$130,596 annually. The significant difference is due primarily to the size of the pool LGS has to negotiate with and cost-effective service and insurance agreements LGS already has in place.

TAM's costs for Self Administration must not only include direct benefit and insurance costs but also human resources staff time. Human resources services are estimated at a minimum cost of \$33,100 annually, and would be in addition to the direct TAM cost of \$130,596 quoted above. This is an annualized maintenance and reporting estimate of workload, including benefits administration, risk management, payroll administration, and any federal and state reporting requirements. It does not include the work to complete set-up in order to initially hire staff, involving a number of tasks TAM has not yet completed, including personnel policies and procedures, mandatory federal and state reporting upon set-up, and tax reporting requirements. It could easily cost 3 staff months, estimated at \$30,000, to complete all the necessary set-up of personnel policies. The expertise necessary for ensuring all human resource needs are met is not necessarily the same expertise found in our Executive Assistant/Clerk or Finance Manager. It may be necessary to bring additional staff onboard to manage ongoing HR needs.

Under the LGS option, LGS provides ongoing human resource management services, minimizing TAM staff time and expertise necessary to effectively manage everyday HR needs. As well, LGS has the necessary personnel policies in place, covering applicable

federal and state laws. The costs for both of these elements are already included in LGS fee.

Staff recommends that LGS be utilized as the hiring agent for TAM, providing all applicable benefits and services. This arrangement will be in place for the remainder of FY 2005-06, and all of Fiscal Years 2006-07 and 2007-08, roughly 30 months. At the end of 18 months, staff will conduct a review of the contractual agreement with LGS, assessing if the arrangement is still the best option for TAM. Changes to benefits, services, and human resource management services will then be considered, if appropriate, for FY 2008-09 and beyond.

Staff will negotiate a contract/contract amendment with LGS, to come back to the Board for approval. Simultaneously, staff will be reviewing the FY 2005-06 Budget and working towards a FY 2006-07 Draft Budget. As part of the exercise in finalizing a contract with LGS, staff will present a summary of revenues and costs associated with a TAM staffing plan for next year. It is estimated at this time that the cost of benefits as presented in the LGS option will be well within the estimated revenues available for TAM staffing needs.

Recommendation: That the Board direct TAM staff to pursue a contract/contract amendment with Local/ Regional Government Services, LGS/RGS, for the hiring of TAM staff, providing benefits, services, and human resource management needs to TAM. The contract shall be brought back to the TAM Board for approval at a future meeting. The agreement with LGS/RGS shall be for a minimum of approximately 30 months, with a reassessment to be presented to the Board in FY 2007-08.